



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BOURBON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOURBON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Auditor of Public Accounts has completed the Bourbon County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$3,406,750 from the prior fiscal year, resulting in a cash surplus of \$5,651,281 as of June 30, 2001. Revenues increased by \$6,971,882 from the prior year and disbursements increased by \$3,824,050. The largest part of this increase is due to a bond issue during the year to build a courthouse annex building. Bond proceeds totaled \$4,210,776. Construction was not complete at the end of the fiscal year accounting for \$2,063,266 of the total surplus.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$5,275,571. Future collections of \$8,523,262 are needed over the next twenty-one years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$1,630,000 as of June 30, 2001. Future principal and interest payments of \$2,358,951 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

Non-Expendable Trust Funds:

During the course of the audit, the auditor was made aware of fifteen non-expendable trust funds that the county is responsible for. The principal amounts are held by third party trustees and are to remain intact for the duration of the trust. The county is to decide how to spend the income earned on these trust accounts. The majority of the trusts are specified to be used for educational purposes, so the county takes applications each semester and a committee then decides which applicants shall receive funding based on the income estimate given them by the trustee. The other trusts are for indigent hospital bills.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donnie Foley, Bourbon County Judge/Executive

Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Bourbon County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances - all governmental fund types, the combined statement of revenues, expenses, and changes in retained earnings - all non-expendable trust funds, and the combined statement of cash flows - all non-expendable trust funds for the year then ended. These financial statements are the responsibility of the Bourbon County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Bourbon County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All funds used modified cash basis except the non-expendable trust funds.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2001 of Bourbon County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Donnie Foley, Bourbon County Judge/Executive
Members of the Bourbon County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2002 on our consideration of Bourbon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Bourbon County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 20, 2002

BOURBON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Donnie Foley	County Judge/Executive
James S. Alexander	Magistrate
Marion Dawson	Magistrate
Barry L. Hay	Magistrate
Dorothy M. Mastin	Magistrate
Donald R. McCarty	Magistrate
Stephen L. Roy	Magistrate
John N. Smoot	Magistrate

Other Elected Officials:

John J. Brady	County Attorney
Michael E. Fryman	Jailer
Richard S. Eads	County Clerk
Jacqueline Patrick Cox	Circuit Court Clerk
John A. Ransdell	Sheriff
Woodford Wayne Turner	Property Valuation Administrator
Rosemary Kitchen	Coroner

Appointed Personnel:

Mary Allen Hedges	County Treasurer
Mary Allen Hedges	Occupational Tax Collector
Charlotte O. Stone	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

BOURBON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2001

<u>Assets and Other Resources</u>	<u>Governmental Fund Types</u>	
<u>Assets</u>	General	Capital Projects
Cash and Cash Equivalents	\$ 3,383,448	\$ 2,063,266
Cash and Cash Equivalents - Non-expendable Trusts		
Restricted Cash - Withholding Tax Account	76	
Restricted Cash - Social Security Account	333	
Bonds		
Mutual Funds-Fixed		
Mutual Funds - Equity		
Common Stock		
Accrued Interest		
	<hr/>	<hr/>
Total Assets	<u>\$ 3,383,857</u>	<u>\$ 2,063,266</u>
<u>Other Resources</u>		
Amounts To Be Provided In Future Years:		
Capital Lease	\$ 1,630,000	\$
Bond Payments:		
Series 1995		
Series 2000		
	<hr/>	<hr/>
Total Other Resources	<u>\$ 1,630,000</u>	<u>\$ 0</u>
Total Assets and Other Resources	<u><u>\$ 5,013,857</u></u>	<u><u>\$ 2,063,266</u></u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2001
(Continued)

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum) Only
Special Revenues	Debt Service	Non-Expendable Trust	
\$ 204,735	\$ 31	\$	\$ 5,651,480
		588,506	588,506
			76
			333
		2,654,344	2,654,344
		439,176	439,176
		1,022,282	1,022,282
		1,423,108	1,423,108
		79,657	79,657
<u>\$ 204,735</u>	<u>\$ 31</u>	<u>\$ 6,207,073</u>	<u>\$ 11,858,962</u>
\$	\$ 115,571	\$	\$ 1,745,571
	454,969		454,969
	<u>4,705,000</u>		<u>4,705,000</u>
<u>\$ 0</u>	<u>\$ 5,275,540</u>	<u>\$ 0</u>	<u>\$ 6,905,540</u>
<u>\$ 204,735</u>	<u>\$ 5,275,571</u>	<u>\$ 6,207,073</u>	<u>\$ 18,764,502</u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

<u>Liabilities and Equity</u>	<u>Governmental Fund Types</u>	
	General	Capital Projects
<u>Liabilities</u>		
Capital Lease	\$ 1,630,000	\$
Bonds:		
Series 1995		
Series 2000		
	<hr/>	<hr/>
Total Liabilities	<u>\$ 1,630,000</u>	<u>\$ 0</u>
<u>Equity</u>		
Retained Earnings:	\$	\$
Reserved		
Fund Balances:		
Reserved	409	2,063,266
Unreserved	<u>3,383,448</u>	<hr/>
Total Equity	<u>\$ 3,383,857</u>	<u>\$ 2,063,266</u>
Total Liabilities and Equity	<u><u>\$ 5,013,857</u></u>	<u><u>\$ 2,063,266</u></u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2001
(Continued)

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum)</u> <u>Only</u>
Special Revenues	Debt Service	Non-Expendable Trust	
\$	\$ 115,571	\$	\$ 1,745,571
	455,000		455,000
	4,705,000		4,705,000
<u>\$ 0</u>	<u>\$ 5,275,571</u>	<u>\$ 0</u>	<u>\$ 6,905,571</u>
\$	\$	\$ 6,207,073	\$ 6,207,073
204,735			2,268,410
			3,383,448
<u>\$ 204,735</u>	<u>\$ 0</u>	<u>\$ 6,207,073</u>	<u>\$ 11,858,931</u>
<u>\$ 204,735</u>	<u>\$ 5,275,571</u>	<u>\$ 6,207,073</u>	<u>\$ 18,764,502</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVENMENTAL FUND TYPES

BOURBON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

Fiscal Year Ended June 30, 2001

	<u>General Fund Type</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,889,595	\$ 4,169,922	\$ 812,372	\$ 604,085
Transfers In	1,017,285	210,767		607,018
Kentucky Advance Revenue Program	1,971,200	1,971,200		
Transfers From Trust Principal Funds	189,450			
Bond Proceeds	4,210,776			
	<u>\$ 14,278,306</u>	<u>\$ 6,351,889</u>	<u>\$ 812,372</u>	<u>\$ 1,211,103</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 7,382,393	\$ 2,550,214	\$ 714,130	\$ 970,744
Schedule of Unbudgeted Expenditures	157,567			
Transfers Out	1,017,285	806,517		
Bonds:				
Principal Paid	195,000			95,000
Interest Paid	148,162			
Kentucky Advance Revenue Program Repaid	1,971,200	1,971,200		
	<u>\$ 10,871,607</u>	<u>\$ 5,327,931</u>	<u>\$ 714,130</u>	<u>\$ 1,065,744</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 3,406,699	\$ 1,023,958	\$ 98,242	\$ 145,359
Cash Balance - July 1, 2000	2,244,781	818,634	371,055	750,024
	<u>\$ 5,651,480</u>	<u>\$ 1,842,592</u>	<u>\$ 469,297</u>	<u>\$ 895,383</u>
Cash Balance - June 30, 2001	<u>\$ 5,651,480</u>	<u>\$ 1,842,592</u>	<u>\$ 469,297</u>	<u>\$ 895,383</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 Fiscal Year Ended June 30, 2001
 (Continued)

General Fund Type		Capital Projects Fund Type	Debt Service Fund Type	Special Revenue Fund Type
Local Government Economic Assistance Fund	Federal Grant Fund	Bond Proceeds Fund	Public Properties Corporation Fund	Educational Trust Checking Fund
\$ 107,144	\$ 993,828	\$ 151,464 112,234	\$ 40,429 87,266	\$ 10,351
		4,210,776		189,450
<u>\$ 107,144</u>	<u>\$ 993,828</u>	<u>\$ 4,474,474</u>	<u>\$ 127,695</u>	<u>\$ 199,801</u>
 \$ 73,514	 \$ 981,773	 \$ 2,092,018	 \$	 \$
	12,055	198,713		157,567
		120,477	100,000 27,685	
<u>\$ 73,514</u>	<u>\$ 993,828</u>	<u>\$ 2,411,208</u>	<u>\$ 127,685</u>	<u>\$ 157,567</u>
 \$ 33,630 142,546	 \$	 \$ 2,063,266	 \$ 10 21	 \$ 42,234 162,501
<u>\$ 176,176</u>	<u>\$ 0</u>	<u>\$ 2,063,266</u>	<u>\$ 31</u>	<u>\$ 204,735</u>

The accompanying notes are an integral part of the financial statements.

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COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED
EARNINGS - ALL NON-EXPENDABLE TRUST FUNDS

BOURBON COUNTY
COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED
EARNINGS - ALL NON-EXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2001

<u>Operating Revenues:</u>	<u>Fiduciary Fund Type</u>
Interest	\$ 187,763
Dividends	65,305
Contributions/Other	<u>3,034</u>
Total Operating Revenues	<u>\$ 256,102</u>
 <u>Operating Expenses:</u>	
Commissions and Fees	\$ 30,494
Scholarships Paid	26,650
Other Expense	978
Accrued Interest Paid	<u>11,892</u>
Total Operating Expenses	<u>\$ 70,014</u>
Income Before Nonoperating Revenues (Expenses)	<u>\$ 186,088</u>
Nonoperating Revenues (Expenses):	
Transfer To Fiscal Court	\$ (189,450)
Unrealized (Loss) on Investments	(373,308)
Gain on Sale of Investments	<u>139,091</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (423,667)</u>
Net Loss	\$ (237,579)
Retained Earnings - July 1, 2000	<u>6,444,652</u>
Retained Earnings - June 30, 2001	<u><u>\$ 6,207,073</u></u>

The accompanying notes are an integral part of the financial statements.

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COMBINED STATEMENT OF CASH
FLows - ALL NON-EXPENDABLE TRUST FUNDS

BOURBON COUNTY
COMBINED STATEMENT OF CASH
FLOWS - ALL NON-EXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2001

Cash Flows From Operating Activities:	<u>Fiduciary Fund Type</u>
Commissions and Fees	\$ (30,494)
Interest	187,763
Dividends	65,305
Accrued Interest Paid	(11,892)
Contributions/Other	3,034
Scholarships Paid	(26,650)
Other Expense	<u>(978)</u>
Net Cash Provided by Operating Activities	<u>\$ 186,088</u>
Cash Flows From Noncapital Financing Activities:	
Operating Transfers - To Fiscal Court	\$ (189,450)
Other	<u>14,392</u>
Net Cash (Used) by Noncapital Financing Activities	<u>\$ (175,058)</u>
Cash Flows From Investing Activities:	
Proceeds From Sale of Investments	\$ 321,582
Cost of Assets Purchased	<u>(372,242)</u>
Net Cash (Used) by Investing Activities	<u>\$ (50,660)</u>
Net Cash Decrease	\$ (39,630)
Cash and Cash Equivalents - July 1, 2000	<u>628,136</u>
Cash and Cash Equivalents - June 30, 2001	<u><u>\$ 588,506</u></u>

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Bourbon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Bourbon County Public Properties Corporation as part of the reporting entity.

Bourbon County Public Properties Corporation:

The Bourbon County Public Properties Corporation cannot be sued in its own name without recourse to the Bourbon County Fiscal Court, who appoints a voting majority consisting of the fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agent in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

Additional - Bourbon County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Bourbon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Bourbon County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Bourbon County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and the Federal Grant Fund.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Capital Projects Fund Type

Capital Projects Funds Type accounts for financial resources to be used for acquisition of major capital facilities. The Bond Proceeds Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Educational Trust Checking Fund is reported as a Special Revenue Fund Type.

5) Fiduciary Fund Type

Fiduciary Fund Type accounts for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a non-expendable trust fund, or an expendable trust fund is used. The terms "non-expendable" or "expendable" refer to whether or not the government is under obligation to maintain trust principal.

Non-expendable trust funds account for revenue expensed to carry out the objectives of the trust and for the corpus (principal) of the trust, which must remain intact. The Bourbon County Non-expendable Trust Funds include the following: E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, John Marston Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund and Clifton Gillespie Fund.

C. Basis of Accounting

For all fund types, except the non-expendable trust, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Under an accrual basis of accounting, applied within the non-expendable trust fund type, revenues are recognized in the period earned and expenses are recognized in the period incurred in the process of generating revenues. Investments within the non-expendable trust are stated at fair market value. Fair market value is the amount at which an investment could be exchanged in a current transaction between willing parties. If fair market value is greater than or less than the carrying value, it creates an unrealized gain or loss on investments.

D. Legal Compliance - Budget

The Bourbon County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted. Formal budgets are not adopted for the non-expendable trust funds because the trust agreements do not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost except in the non-expendable trust funds where investments are to be stated at fair market value. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Judy Water Association is considered a related organization of Bourbon County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 3. Deposits and Investments (Continued)

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured but registered investments where the securities were held by the financial institution in the county's name.

Types of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Cash Equivalents	\$	\$	\$ 588,506	\$ 588,506	\$ 588,506
Bonds			2,654,344	2,556,432	2,654,344
Mutual Funds - Fixed			439,176	270,064	439,176
Mutual Funds - Equity			1,022,282	789,356	1,022,282
Common Stock			1,423,108	611,361	1,423,108
Totals	\$	\$	\$ 6,127,416	\$ 4,815,719	\$ 6,127,416

Note 4. Long-Term Debt

- A. During fiscal year ending June 30, 1998, the Bourbon County Public Properties Corporation entered into a promissory term note agreement with Community Ventures Corporation for the purchase and renovation of a manufacturing facility. The Public Properties Corporation is obligated to pay \$131,550 in principal payments over seven years beginning October 5, 1997, with a final balloon payment of \$100,055 due on September 5, 2004. As of June 30, 2001, the outstanding principal balance was \$115,571.

Obligations due in fiscal year ending June 30, 2002 include the following:

Principal - \$4,662
Interest - \$5,756

The property was subsequently leased to Accutran Industries, Inc. The lease agreement requires monthly payments of \$868. Accutran Industries, Inc. is in substantial compliance with the terms of the lease agreement.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long-Term Debt (Continued)

- B. On May 1, 1995, the Bourbon County Public Properties Corporation issued bonds, Series 1995, in the amount of \$1,000,000, for the purpose of paying courthouse renovation costs. Principal payments are made annually on February 1, and interest on the bonds is payable semiannually on February 1 and August 1. To aid in debt relief, the Administrative Office of the Courts makes a biannual payment in the amount of \$20,120 directly to the Paying Agent. The County is liable for the remaining difference. As of June 30, 2001, the outstanding principal balance was \$455,000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
August 1, 2001	\$ 11,442	\$
February 1, 2002	11,442	105,000
August 1, 2002	8,870	
February 1, 2003	8,870	110,000
August 1, 2003	6,120	
February 1, 2004	6,120	115,000
August 1, 2004	3,187	
February 1, 2005	3,188	125,000
Totals	<u>\$ 59,239</u>	<u>\$ 455,000</u>

- C. On August 1, 2000, the Bourbon County Public Properties Corporation issued bonds, Series 2000, in the amount of \$4,705,000, for the purpose of constructing a circuit and district courts facility. Principal payments are made annually on February 1, and interest on the bonds is payable semiannually on February 1 and August 1. Payment of interest commenced on February 1, 2001. As of June 30, 2001, the outstanding principal balance was \$4,705,000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
August 1, 2001	\$ 120,477	\$
February 1, 2002	120,478	
August 1, 2002	120,477	
February 1, 2003	120,478	145,000
August 1, 2003	116,943	
February 1, 2004	116,943	150,000
August 1, 2004	113,287	
February 1, 2005	113,287	155,000
August 1, 2005	109,509	
February 1, 2006	109,509	165,000
August 1, 2006 - February 1, 2022	2,027,064	4,090,000
Totals	<u>\$ 3,188,452</u>	<u>\$ 4,705,000</u>

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Long-Term Participation Agreement

During fiscal year ended June 30, 1992, the Bourbon County Fiscal Court entered into a twenty year, \$2,300,000 lease participation agreement with GMB Financial Group, Inc., for the construction of a detention center. As specified by the terms of the lease, principal payments are due annually on January 1, and interest payments are due semiannually on July 1 and January 1, respectively. As of June 30, 2001, the outstanding principal balance was \$1,630,000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
July 1, 2001	\$ 55,041	\$
January 1, 2002	55,041	105,000
July 1, 2002	51,209	
January 1, 2003	51,209	110,000
July 1, 2003	47,194	
January 1, 2004	47,194	120,000
July 1, 2004	43,294	
January 1, 2005	43,294	130,000
July 1, 2005	39,069	
January 1, 2006	39,069	135,000
July 1, 2006 - January 1, 2012	257,337	1,030,000
Totals	<u>\$ 728,951</u>	<u>\$ 1,630,000</u>

Note 6. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreement:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Balance June 30, 2001</u>
Voting Machines	03/30/92	02/01/02	Variable	\$ 8,000

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 7. Non-expendable Trust Funds

The county has fourteen educational trust funds established by the wills and codicils of various residents of Bourbon County. The wills imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The income generated by the principal, less administrative costs, is to be spent for educational scholarships. The county has a committee, appointed by the Judge/Executive, that decides how the money shall be disbursed based on applications received by the Judge/Executive's office. The following are educational trust funds of Bourbon County: E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, John Marston Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay and Frances Champ Fund.

The Clifton Gillespie trust fund was established to provide financial assistance with hospital bills to indigent residents of Bourbon County. The County Judge/Executive decides who shall receive assistance from this fund by applications submitted. Each eligible person is limited to \$2000.

Note 8. Commitments and Contingencies

During the audit, the county informed the auditors of a situation involving an investigation by the Commonwealth of Kentucky's Labor Cabinet. They were investigating the fact that EMT incentive pay was not being added to the base pay rate for firefighters when calculating unscheduled overtime pay. The Labor Cabinet has decided that this should have been done, so the treasurer is going to have to go back to January 1997, and calculate the difference in pay due the firefighters with the incentive pay added to their base pay rate. As of the date of this audit, this has not been calculated, so a contingency amount has not been determined.

In April 2000, the Bourbon County Fiscal Court adopted a resolution obligating the county to secure a loan in the amount of \$160,000 for a spec building in the Industrial Park. The loan is shared equally between the City of Paris and the county, and the revenues from the lease of the spec building to the perspective industry are being used to retire the loan. As of June 30, 2001, the outstanding principal balance was \$119,536. The balance is scheduled to be paid off during fiscal year ending June 30, 2002.

Note 9. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

During fiscal year ended June 30, 2001, the Bourbon County jail canteen received \$58,138 and expended \$58,225. The jail canteen reported a balance of \$2,329 as of June 30, 2001.

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COMBINING BALANCE SHEET -
ALL NON-EXPENDABLE TRUST FUNDS

BOURBON COUNTY
COMBINING BALANCE SHEET - ALL NON-EXPENDABLE TRUST FUNDS

June 30, 2001

<u>Assets and Other Resources</u>	Totals (Memorandum Only)	E. M. Costello Fund	Garth Fund
<u>Assets</u>			
Cash Equivalents - Non-Expendable Trust	\$ 588,506	\$ 3,992	\$ 102,594
Bonds	2,654,344	35,335	136,530
Mutual Funds - Fixed	439,176		
Mutual Funds - Equity	1,022,282		
Accrued Interest	79,657	275	1,733
Common Stock	1,423,108		
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 6,207,073</u>	<u>\$ 39,602</u>	<u>\$ 240,857</u>
<u>Liabilities and Equity</u>			
<u>Equity</u>			
Retained Earnings:			
Reserved	\$ 6,207,073	\$ 39,602	\$ 240,857
Unreserved			
	<hr/>	<hr/>	<hr/>
Total Equity	<u>\$ 6,207,073</u>	<u>\$ 39,602</u>	<u>\$ 240,857</u>
Total Liabilities and Equity	<u>\$ 6,207,073</u>	<u>\$ 39,602</u>	<u>\$ 240,857</u>

BOURBON COUNTY
 COMBINING BALANCE SHEET -
 ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

Thomas Costello Fund	Hamilton Fund	Robert Meteer Fund	Lucy Anderson Fund	Harrell- Kennedy Fund	Elaine Hinkle Fund
\$ 9,885	\$ 13,516	\$ 61,180	\$ 40,894	\$ 8,529	\$ 5,050
6,462	12,923	395,025	206,413	4,921	
		417,808		7,416	6,677
		23,355	218,184	16,284	2,688
157	315	11,488	9,552	145	
<u>\$ 16,504</u>	<u>\$ 26,754</u>	<u>\$ 908,856</u>	<u>\$ 475,043</u>	<u>\$ 37,295</u>	<u>\$ 14,415</u>
\$ 16,504	\$ 26,754	\$ 908,856	\$ 475,043	\$ 37,295	\$ 14,415
<u>\$ 16,504</u>	<u>\$ 26,754</u>	<u>\$ 908,856</u>	<u>\$ 475,043</u>	<u>\$ 37,295</u>	<u>\$ 14,415</u>
<u>\$ 16,504</u>	<u>\$ 26,754</u>	<u>\$ 908,856</u>	<u>\$ 475,043</u>	<u>\$ 37,295</u>	<u>\$ 14,415</u>

BOURBON COUNTY
 COMBINING BALANCE SHEET -
 ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

	Lou Redmon Fund	John Marston Educational Fund	Howard Forquer Fund
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash Equivalents - Non-Expendable Trust	\$ 8,933	\$ 129,786	\$ 87,304
Bonds	4,947	661,470	241,005
Mutual Funds - Fixed	7,275		
Mutual Funds - Equity	17,073	258,003	279,519
Accrued Interest	59	28,669	14,807
Common Stock		711,517	
Total Assets	<u>\$ 38,287</u>	<u>\$ 1,789,445</u>	<u>\$ 622,635</u>
<u>Liabilities and Equity</u>			
<u>Equity</u>			
Retained Earnings:			
Reserved	\$ 38,287	\$ 1,789,445	\$ 622,635
Unreserved			
Total Equity	<u>\$ 38,287</u>	<u>\$ 1,789,445</u>	<u>\$ 622,635</u>
Total Liabilities and Equity	<u>\$ 38,287</u>	<u>\$ 1,789,445</u>	<u>\$ 622,635</u>

BOURBON COUNTY
 COMBINING BALANCE SHEET -
 ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

May Goff Fund	Talbott Clay Fund	Frances Champ Fund	Clifton Gillespie Fund
\$ 8,114	\$ 16,346	\$ 17,837	\$ 74,546
30,601	174,946	61,483	682,283
29,755	147,042		30,379
735	10,234	1,488	
			711,591
<u>\$ 69,205</u>	<u>\$ 348,568</u>	<u>\$ 80,808</u>	<u>\$ 1,498,799</u>
\$ 69,205	\$ 348,568	\$ 80,808	\$ 1,498,799
<u>\$ 69,205</u>	<u>\$ 348,568</u>	<u>\$ 80,808</u>	<u>\$ 1,498,799</u>
<u>\$ 69,205</u>	<u>\$ 348,568</u>	<u>\$ 80,808</u>	<u>\$ 1,498,799</u>

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COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS - ALL NON-EXPENDABLE TRUST FUNDS

BOURBON COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS - ALL NON-EXPENDABLE TRUST FUNDS

June 30, 2001

	Totals (Memorandum Only)	E. M. Costello Fund	Garth Fund
<u>Operating Revenues:</u>			
Interest	\$ 187,763	\$ 2,365	\$ 15,257
Dividends	65,305	5	67
Contributions/Other	3,034		
Total Operating Revenues	<u>\$ 256,102</u>	<u>\$ 2,370</u>	<u>\$ 15,324</u>
<u>Operating Expenses:</u>			
Commissions and Fees	\$ 30,494	\$	\$
Scholarships Paid	26,650		
Other Expense	978		
Accrued Interest Paid	11,892		
Total Operating Expenses	<u>\$ 70,014</u>	<u>\$ 0</u>	<u>\$ 0</u>
Income Before Nonoperating Revenues (Expenses)	<u>\$ 186,088</u>	<u>\$ 2,370</u>	<u>\$ 15,324</u>
Nonoperating Revenues (Expenses):			
Transfer To Fiscal Court	\$ (189,450)	\$ (2,370)	\$ (15,324)
Unrealized Gain (Loss) on Investments	(373,308)	1,809	1,872
Gain (Loss) on Sale of Investments	139,091		
Total Nonoperating Revenues (Expenses)	<u>\$ (423,667)</u>	<u>\$ (561)</u>	<u>\$ (13,452)</u>
Net Income	\$ (237,579)	\$ 1,809	\$ 1,872
Retained Earnings - July 1, 2000	<u>6,444,652</u>	<u>37,793</u>	<u>238,985</u>
Retained Earnings - June 30, 2001	<u><u>\$ 6,207,073</u></u>	<u><u>\$ 39,602</u></u>	<u><u>\$ 240,857</u></u>

BOURBON COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS - ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

Thomas Costello Fund	Hamilton Fund	Robert Meter Fund	Lucy Anderson Fund	Harrell- Kennedy Fund	Elaine Hinkle Fund
\$ 820	\$ 1,385	\$ 26,096 9,107 1,000	\$ 15,528 8,345	\$ 1,276	\$ 667
\$ 820	\$ 1,385	\$ 36,203	\$ 23,873	\$ 1,276	\$ 667
\$	\$	\$ 4,531 26,550 250 329	\$ 3,237 354	\$ 400 44	\$ 100 100
\$ 0	\$ 0	\$ 31,660	\$ 3,591	\$ 444	\$ 200
\$ 820	\$ 1,385	\$ 4,543	\$ 20,282	\$ 832	\$ 467
\$ (820) 196	\$ (1,385) 392	\$ (68,250) 12,952	\$ (21,426) (1,820) 5,289	\$ (1,226) (2,457) 1,625	\$ (520) (212) 330
\$ (624)	\$ (993)	\$ (55,298)	\$ (17,957)	\$ (2,058)	\$ (402)
\$ 196 16,308	\$ 392 26,362	\$ (50,755) 959,611	\$ 2,325 472,718	\$ (1,226) 38,521	\$ 65 14,350
\$ 16,504	\$ 26,754	\$ 908,856	\$ 475,043	\$ 37,295	\$ 14,415

BOURBON COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS - ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

	Lou Redmon Trust	John Marston Educational Fund	Howard Forquer Fund
<u>Operating Revenues:</u>			
Interest	\$ 119	\$ 39,940	\$ 19,917
Dividends	1,276	23,226	7,180
Contributions/Other			
Total Operating Revenues	<u>\$ 1,395</u>	<u>\$ 63,166</u>	<u>\$ 27,097</u>
<u>Operating Expenses:</u>			
Commissions and Fees	\$ 400	\$ 8,814	\$ 3,161
Scholarships Paid			
Other Expense	30		500
Accrued Interest Paid	99	5,013	313
Total Operating Expenses	<u>\$ 529</u>	<u>\$ 13,827</u>	<u>\$ 3,974</u>
Income Before Nonoperating Revenues (Expenses)	<u>\$ 866</u>	<u>\$ 49,339</u>	<u>\$ 23,123</u>
Nonoperating Revenues (Expenses):			
Transfer To Fiscal Court	\$ (1,172)	\$ (53,600)	\$ (21,052)
Unrealized Gain (Loss) on Investments	(2,638)	(116,233)	(29,033)
Gain (Loss) on Sale of Investments	1,632	66,277	16,380
Total Nonoperating Revenues (Expenses)	<u>\$ (2,178)</u>	<u>\$ (103,556)</u>	<u>\$ (33,705)</u>
Net Income	\$ (1,312)	\$ (54,217)	\$ (10,582)
Retained Earnings - July 1, 2000	<u>39,599</u>	<u>1,843,662</u>	<u>633,217</u>
Retained Earnings - June 30, 2001	<u><u>\$ 38,287</u></u>	<u><u>\$ 1,789,445</u></u>	<u><u>\$ 622,635</u></u>

BOURBON COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS - ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

May Goff Fund	Talbott Clay Fund	Frances Champ Fund	Clifton Gillespie Fund
\$ 991	\$ 12,056	\$ 5,081	\$ 48,208
1,671	4,718	57	7,710
			2,034
<u>\$ 2,662</u>	<u>\$ 16,774</u>	<u>\$ 5,138</u>	<u>\$ 57,952</u>
\$ 436	\$ 1,795	\$	\$ 7,620
			198
612			5,128
<u>\$ 1,048</u>	<u>\$ 1,795</u>	<u>\$ 0</u>	<u>\$ 12,946</u>
\$ 1,614	\$ 14,979	\$ 5,138	\$ 45,006
\$ (1,670)	\$ (13,415)	\$ (5,138)	\$ (50,332)
(3,417)	(6,004)	2,633	(150,146)
2,685	2,645		29,276
<u>\$ (2,402)</u>	<u>\$ (16,774)</u>	<u>\$ (2,505)</u>	<u>\$ (171,202)</u>
\$ (788)	\$ (1,795)	\$ 2,633	\$ (126,196)
69,993	350,363	78,175	1,624,995
<u>\$ 69,205</u>	<u>\$ 348,568</u>	<u>\$ 80,808</u>	<u>\$ 1,498,799</u>

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COMBINING STATEMENT OF CASH
FLows - ALL NON-EXPENDABLE TRUST FUNDS

BOURBON COUNTY
COMBINING STATEMENT OF CASH
FLOWS - ALL NON-EXPENDABLE TRUST FUNDS

June 30, 2001

	Totals (Memorandum Only)	E. M. Costello Fund	Garth Fund
Cash Flows From Operating Activities:			
Commissions and Fees	\$ (30,494)	\$	\$
Interest	187,763	2,365	15,257
Dividends	65,305	5	67
Accrued Interest Paid	(11,892)		
Contributions/Other	3,034		
Scholarships Paid	(26,650)		
Other Expense	(978)		
Net Cash Provided by Operating Activities	<u>\$ 186,088</u>	<u>\$ 2,370</u>	<u>\$ 15,324</u>
Cash Flows From Noncapital Financing Activities:			
Operating Transfers - To Fiscal Court	\$ (189,450)	\$ (2,370)	\$ (15,324)
Other	14,392		
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (175,058)</u>	<u>\$ (2,370)</u>	<u>\$ (15,324)</u>
Cash Flows From Investing Activities:			
Proceeds From Sale of Investments	\$ 321,582	\$	\$
Cost of Assets Purchased	(372,242)		
Net Cash Provided (Used) by Investing Activities	<u>\$ (50,660)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Cash Increase (Decrease)	\$ (39,630)	\$	\$
Cash and Cash Equivalents - July 1, 2000	<u>628,136</u>	<u>3,992</u>	<u>102,594</u>
Cash and Cash Equivalents - June 30, 2001	<u><u>\$ 588,506</u></u>	<u><u>\$ 3,992</u></u>	<u><u>\$ 102,594</u></u>

BOURBON COUNTY
 COMBINING STATEMENT OF CASH
 FLOWS - ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

Thomas Costello Fund	Hamilton Fund	Robert Meteer Fund	Lucy Anderson Fund	Harrell- Kennedy Fund	Elaine Hinkle Fund
\$	\$	\$	\$	\$	\$
820	1,385	(4,531)	(3,237)	(400)	(100)
		26,096	15,528		
		9,107	8,345	1,276	667
		(329)	(354)	(44)	
		1,000			
		(26,550)			(100)
		(250)			
<u>\$ 820</u>	<u>\$ 1,385</u>	<u>\$ 4,543</u>	<u>\$ 20,282</u>	<u>\$ 832</u>	<u>\$ 467</u>
\$ (820)	\$ (1,385)	\$	\$ (21,426)	\$ (1,226)	\$ (520)
		2,028	3,239	219	
<u>\$ (820)</u>	<u>\$ (1,385)</u>	<u>\$ 2,028</u>	<u>\$ (18,187)</u>	<u>\$ (1,007)</u>	<u>\$ (520)</u>
\$	\$	\$	\$	\$	\$
		92,921	30,289	1,625	330
		(72,628)	(47,918)	(5,162)	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,293</u>	<u>\$ (17,629)</u>	<u>\$ (3,537)</u>	<u>\$ 330</u>
\$	\$	\$	\$	\$	\$
9,885	13,516	26,864	(15,534)	(3,712)	277
		34,316	56,428	12,241	4,773
<u>\$ 9,885</u>	<u>\$ 13,516</u>	<u>\$ 61,180</u>	<u>\$ 40,894</u>	<u>\$ 8,529</u>	<u>\$ 5,050</u>

BOURBON COUNTY
 COMBINING STATEMENT OF CASH
 FLOWS - ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

	Lou Redmon Fund	John Marston Educational Fund	Howard Forquer Fund
Cash Flows From Operating Activities:			
Commissions and Fees	\$ (400)	\$ (8,814)	\$ (3,161)
Interest	119	39,940	19,917
Dividends	1,276	23,226	7,180
Accrued Interest Paid	(99)	(5,013)	(313)
Contributions/Other			
Scholarships Paid			
Other Expense	(30)		(500)
Net Cash Provided by Operating Activities	\$ 866	\$ 49,339	\$ 23,123
Cash Flows From Noncapital Financing Activities:			
Operating Transfers - To Fiscal Court	\$ (1,172)	\$ (53,600)	\$ (21,052)
Other	222	5,383	1,867
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (950)	\$ (48,217)	\$ (19,185)
Cash Flows From Investing Activities:			
Proceeds From Sale of Investments	\$ 1,632	\$ 68,671	\$ 107,022
Cost of Assets Purchased	(5,130)	(62,534)	(42,091)
Net Cash Provided (Used) by Investing Activities	\$ (3,498)	\$ 6,137	\$ 64,931
Net Cash Increase (Decrease)	\$ (3,582)	\$ 7,259	\$ 68,869
Cash and Cash Equivalents - July 1, 2000	12,515	122,527	18,435
Cash and Cash Equivalents - June 30, 2001	\$ 8,933	\$ 129,786	\$ 87,304

BOURBON COUNTY
 COMBINING STATEMENT OF CASH
 FLOWS - ALL NON-EXPENDABLE TRUST FUNDS
 June 30, 2001
 (Continued)

May Goff Fund	Talbott Clay Fund	Frances Champ Fund	Clifton Gillespie Fund
\$ (436)	\$ (1,795)	\$	\$ (7,620)
991	12,056	5,081	48,208
1,671	4,718	57	7,710
(612)			(5,128)
			2,034
			(198)
<u>\$ 1,614</u>	<u>\$ 14,979</u>	<u>\$ 5,138</u>	<u>\$ 45,006</u>
\$ (1,670)	\$ (13,415)	\$ (5,138)	\$ (50,332)
239	1,036		159
<u>\$ (1,431)</u>	<u>\$ (12,379)</u>	<u>\$ (5,138)</u>	<u>\$ (50,173)</u>
\$ 16,447	\$ 2,645	\$	\$
(30,088)	(1,036)		(105,655)
<u>\$ (13,641)</u>	<u>\$ 1,609</u>	<u>\$ 0</u>	<u>\$ (105,655)</u>
\$ (13,458)	\$ 4,209	\$	\$ (110,822)
21,572	12,137	17,837	185,368
<u>\$ 8,114</u>	<u>\$ 16,346</u>	<u>\$ 17,837</u>	<u>\$ 74,546</u>

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BOURBON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 5,460,392	\$ 4,169,922	\$ (1,290,470)
Road and Bridge Fund	716,850	812,372	95,522
Jail Fund	1,205,130	604,085	(601,045)
Local Government Economic Assistance Fund	84,000	107,144	23,144
Federal Grant Fund	981,374	993,828	12,454
<u>Capital Projects Fund Type</u>			
Bond Proceeds Fund	<u>4,625,787</u>	<u>151,464</u>	<u>(4,474,323)</u>
Totals	<u>\$ 13,073,533</u>	<u>\$ 6,838,815</u>	<u>\$ (6,234,718)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 13,073,533
Add: Budgeted Prior Year Surplus			1,985,000
Less: Other Financing Uses			<u>(2,166,200)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 12,892,333</u>

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SCHEDULE OF OPERATING REVENUE

BOURBON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Capital Projects Fund Type	Debt Service Fund Type	Special Revenue Fund Type
Taxes	\$ 2,485,335	\$ 2,485,335	\$	\$	\$
Excess Fees	7,089	7,089			
Licenses and Permits	46,982	46,982			
Intergovernmental Revenues	3,718,013	3,677,773		40,240	
Charges for Services	49,802	49,802			
Miscellaneous Revenues	212,501	212,501			
Interest Earned	369,873	207,869	151,464	189	10,351
Total Operating Revenue	<u>\$ 6,889,595</u>	<u>\$ 6,687,351</u>	<u>\$ 151,464</u>	<u>\$ 40,429</u>	<u>\$ 10,351</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BOURBON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 804,401	\$ 683,865	\$ 120,536
Protection to Persons and Property	1,955,005	1,528,972	426,033
General Health and Sanitation	1,579,611	1,127,492	452,119
Social Services	270,004	211,391	58,613
Recreation and Culture	658,806	278,385	380,421
Roads	670,626	434,982	235,644
Debt Service	1,010,433	179,719	830,714
Capital Projects	392,000	236,578	155,422
Administration	925,660	608,991	316,669
Total Operating Budget - All General Fund Types	\$ 8,266,546	\$ 5,290,375	\$ 2,976,171
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund-			
Principal	100,000	87,266	12,734
Borrowed Money-			
Kentucky Advanced Revenue			
Program - Principal	1,971,200	1,971,200	
Jail Lease Participation Agreement-			
Principal on Lease	95,000	95,000	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 10,432,746</u>	<u>\$ 7,443,841</u>	<u>\$ 2,988,905</u>

BOURBON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

<u>Expenditure Categories</u>	<u>CAPITAL PROJECTS FUND TYPE</u>		
	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
General Government	\$ 4,505,310	\$ 2,092,018	\$ 2,413,292
Debt Service	120,477	120,477	
 TOTAL BUDGET - CAPITAL PROJECTS FUND TYPE	 \$ 4,625,787	 \$ 2,212,495	 \$ 2,413,292

SCHEDULE OF UNBUDGETED EXPENDITURES

BOURBON COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

<u>Expenditure Items</u>	<u>Trust Accounts</u>
Scholarships	\$ 110,600
Hospital Bills	32,733
Checks	199
Legal Ads	118
Shoes For Indigents	<u>13,917</u>
Total	<u>\$ 157,567</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donnie Foley, Bourbon County Judge/Executive

Members of the Bourbon County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Bourbon County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated March 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bourbon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bourbon County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 20, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Donnie Foley, Bourbon County Judge/Executive
Members of the Bourbon County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Bourbon County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Bourbon County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bourbon County's management. Our responsibility is to express an opinion on Bourbon County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bourbon County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bourbon County's compliance with those requirements.

In our opinion, Bourbon County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Bourbon County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bourbon County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 20, 2002

FINDINGS AND QUESTIONED COSTS

BOURBON COUNTY
FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Bourbon County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Bourbon County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Bourbon County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Bourbon County reported in Part C of this schedule.
7. The program tested as the major program was Community Development Block Grant - Water Extension Project, CFDA #14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Bourbon County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BOURBON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government: Community Development Block Grants - Water Project (CFDA #14.228)		\$ 993,828
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet: Violence Against Women Act (CFDA #16.588)		42,313
<u>U.S. Department of Transportation</u>		
Passed-Through State Transportation Cabinet: TEA - 21 Grant (CFDA #20.205)		90,898
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)		<u>7,084</u>
Total Cash Expenditures of Federal Awards		<u>\$ 1,134,123</u>

BOURBON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for Community Development Block Grant consist of grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Pass-through Grant Amount</u>
Judy Water Association	\$ 955,228

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

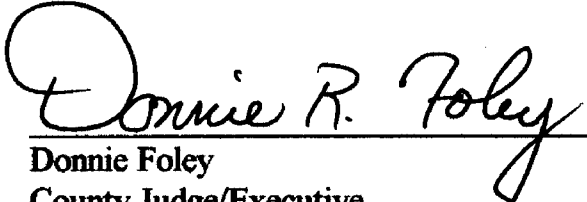
BOURBON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOURBON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Bourbon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Donnie Foley
County Judge/Executive

 3-20-02

Mary Allen Hedges
County Treasurer